

AMENDED IN ASSEMBLY MARCH 21, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 279

Introduced by Assembly Member Dickinson

February 11, 2013

An act to amend Sections 53601.8 and 53635.8 of the Government Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

AB 279, as amended, Dickinson. Financial affairs.

Existing law prescribes the instruments in, and criteria by, which a local agency, as defined, may invest and deposit its funds, including its surplus funds. Existing law authorizes a local agency to invest in specified certificates of deposit.

This bill would remove the term “certificates of deposit” and instead authorize a local agency to invest in deposits. This bill would also exclude from public funds reporting requirements ~~a private sector entity that assists a selected depository institution of a local agency’s deposits under certain conditions~~ *specified deposits required under these provisions*.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 53601.8 of the Government Code is
- 2 amended to read:
- 3 53601.8. Notwithstanding Section 53601 or any other provision
- 4 of this code, a local agency that has the authority under law to

1 invest funds, at its discretion, may invest a portion of its surplus
2 funds in deposits at a commercial bank, savings bank, savings and
3 loan association, or credit union that uses a private sector entity
4 that assists in the placement of deposits, provided that the deposits
5 placed pursuant to this section, Section 53635.8, and subdivision
6 (i) of Section 53601 do not, in total, exceed 30 percent of the
7 agency's funds that may be invested for this purpose. The following
8 conditions shall apply:

9 (a) The local agency shall choose a nationally or state chartered
10 commercial bank, savings bank, savings and loan association, or
11 credit union in this state to invest the funds, which shall be known
12 as the "selected" depository institution.

13 (b) The selected depository institution may submit the funds to
14 a private sector entity that assists in the placement of deposits with
15 one or more commercial banks, savings banks, savings and loan
16 associations, or credit unions that are located in the United States,
17 for the local agency's account.

18 (c) The full amount of the deposit placed pursuant to this section
19 and the interest that may be accrued for each deposit shall at all
20 times be insured by the Federal Deposit Insurance Corporation or
21 the National Credit Union Administration.

22 (d) The selected depository institution shall serve as a custodian
23 for each deposit.

24 (e) On the same date that the local agency's funds are deposited
25 pursuant to this section, the selected depository institution shall
26 receive an amount of insured deposits from other financial
27 institutions that, in total, are equal to, or greater than, the full
28 amount of the principal that the local agency initially deposited
29 through the selected depository institution pursuant to this section.

30 (f) Notwithstanding subdivisions (a) to (e), inclusive, a credit
31 union shall not act as a selected depository institution under this
32 section or Section 53635.8 unless both of the following conditions
33 are satisfied:

34 (1) The credit union offers federal depository insurance through
35 the National Credit Union Administration.

36 (2) The credit union is in possession of written guidance or other
37 written communication from the National Credit Union
38 Administration authorizing participation of federally insured credit
39 unions in one or more deposit placement services and affirming
40 that the moneys held by those credit unions while participating in

1 a deposit placement service will at all times be insured by the
2 federal government.

3 (g) It is the intent of the Legislature that this section shall not
4 restrict competition among private sector entities that provide
5 placement services pursuant to this section.

6 (h) Deposits received by the selected depository institution from
7 other financial institutions pursuant to subdivision (e) are not
8 subject to this article or to public funds reporting requirements
9 authorized under this article if the deposits are insured by the
10 Federal Deposit Insurance Corporation *or the National Credit*
11 *Union Administration*.

12 SEC. 2. Section 53635.8 of the Government Code is amended
13 to read:

14 53635.8. Notwithstanding Section 53601 or any other provision
15 of this code, a local agency that has the authority under law to
16 invest funds, at its discretion, may invest a portion of its surplus
17 funds in deposits at a commercial bank, savings bank, savings and
18 loan association, or credit union that uses a private sector entity
19 that assists in the placement of deposits, provided that the deposits
20 placed pursuant to this section, Section 53601.8, and subdivision
21 (i) of Section 53601 do not, in total, exceed 30 percent of the
22 agency's funds that may be invested for this purpose. The following
23 conditions shall apply:

24 (a) The local agency shall choose a nationally or state-chartered
25 commercial bank, savings bank, savings and loan association, or
26 credit union in this state to invest the funds, which shall be known
27 as the "selected" depository institution.

28 (b) The selected depository institution may submit the funds to
29 a private sector entity that assists in the placement of deposits with
30 one or more commercial banks, savings banks, savings and loan
31 associations, or credit unions that are located in the United States,
32 for the local agency's account.

33 (c) The full amount of the deposit placed pursuant to this section
34 and the interest that may be accrued for each deposit shall at all
35 times be insured by the Federal Deposit Insurance Corporation or
36 the National Credit Union Administration.

37 (d) The selected depository institution shall serve as a custodian
38 for each deposit.

39 (e) On the same date that the local agency's funds are deposited
40 pursuant to this section, the selected depository institution shall

1 receive an amount of insured deposits from other financial
2 institutions that, in total, are equal to, or greater than, the full
3 amount of the principal that the local agency initially deposited
4 through the selected depository institution for investment pursuant
5 to this section.

6 (f) Notwithstanding subdivisions (a) to (e), inclusive, a credit
7 union shall not act as a selected depository institution under this
8 section or Section 53601.8 unless both of the following conditions
9 are satisfied:

10 (1) The credit union offers federal depository insurance through
11 the National Credit Union Administration.

12 (2) The credit union is in possession of written guidance or other
13 written communication from the National Credit Union
14 Administration authorizing participation of federally insured credit
15 unions in one or more deposit placement services and affirming
16 that the moneys held by those credit unions while participating in
17 a deposit placement service will at all times be insured by the
18 federal government.

19 (g) It is the intent of the Legislature that this section shall not
20 restrict competition among private sector entities that provide
21 placement services pursuant to this section.

22 (h) Deposits received by the selected depository institution from
23 other financial institutions pursuant to subdivision (e) are not
24 ~~subject to this article or to public funds reporting requirements~~
25 authorized under this article if the deposits are insured by the
26 Federal Deposit Insurance Corporation *or the National Credit*
27 *Union Administration.*